

**Achievement of Market-Friendly Initiatives and Results Program
(AMIR 2.0 Program)**

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**Entrepreneur Roadmap
Phase II – Validation of Phase I Findings**

Final Report

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This report was prepared by Andrew Baird and Suhair Khatib in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan.

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List of Acronyms

ASEZ	Aqaba Special Economic Zone
ASEZA	Aqaba Special Economic Zone Authority
BDS	Business development services
CDG	The Community Development Group
JD	Jordanian Dinar
JIB	Jordan Investment Board

I. Executive Summary

Phase II of the Entrepreneur Roadmap consultancy was conducted in April of 2002, by Chemonics International enterprise development specialist Andrew Baird, and AMIR II business development specialist Suhair Khatib. The purpose of Phase II was to verify the information gathered during Phase I concerning the micro and small enterprise registration and licensing process, and to identify obstacles and constraints to entering the Jordanian formal business sector. A second outcome of the consultancy will be to produce a microentrepreneur investment roadmap that outlines the business formalization process.

The approach: During the first week, the consultants met with several municipalities and business Chamber representatives to seek clarification regarding some aspects of the registration and licensing process. Meetings also took place with other institutions associated with the formalization process, such as the Jordan Investment Board, (JIB). The validation process took place through a series of focus groups held in six different locations around the country. A series of questions were posed to these groups of selected small and microentrepreneurs eliciting their recent experiences with the registration and licensing process. Information was also gathered about the taxation procedures and views on the business Chambers and professional unions. Finally, the consultants spent several days in the Aqaba Special Economic Zone (ASEZ) in order to identify and assess some of the promising practices being utilized by the economic Zone Authority.

Key findings: Overall, focus group participants were quite dissatisfied with the steps required to create a legal enterprise. Those who had recently undertaken the process complained about the complexity, lack of guidance and transparency, and unnecessary or often redundant requirements. Revenues lost and particularly lengthy procedures were often cited as being constraints to many trying to enter the formal sector. Specific findings included:

- The licensing process is regarded as being the most difficult and frustrating part of the process. Municipalities are inconsistent in their application of the regulations, and even more varied in their level of enforcement.
- Pre-approvals necessary for registration and licensing are often the major reason for delays, and typically require days or weeks of effort to procure.
- Membership in the Chamber of Industry and Trade, and the Chamber of Commerce is viewed as an unnecessary burden to most small and microentrepreneurs who comprise over 75% of the membership. All agreed that membership should be optional, and not required by the municipality.
- Tax assessment was identified as an area of concern for many entrepreneurs due to its lack of predictability. Most felt that the assessments were made arbitrarily, and not based on any verifiable standards.
- “Wasta,” or personal connections are regarded as being very important in order to complete the licensing process, procure the necessary approvals and negotiate fair tax assessments.

Observations in ASEZ revealed a number of promising practices that require further monitoring and investigation to determine their wider applicability to Jordan's business registration and licensing procedures. Initial indications are very positive for ASEZA's use of the one-stop shop licensing and registration window, use of a compliance versus a pre-approval based system for all approvals, and the use of a single (non-itemized) fee for licensing.

Recommendations: Based on the findings from the focus groups, interviews with licensing and registration officials, and the consultants' observations, the following recommendations are made:

- Develop clear written procedural guidelines for the licensing process;
- Simplify and streamline the licensing process;
- Adopt a compliance versus a pre-approval based system for public safety, health and other requirements;
- Work towards the establishment of a one-stop shop for business licenses;
- Chamber membership should be made voluntary; and
- Further investigation should be conducted into the administrative and procedural changes ASEZA has adopted to streamline the licensing and registration process.

Next steps:

1. Develop on-line version of the entrepreneur roadmap.
2. Co-ordinate policy discussions with AMIR II's policy component; and
3. Develop scope of work and plans for a district within Amman to pilot licensing best practices.

II. Reason for Consultancy and Approach

The objectives of the microentrepreneur roadmap consultancy are two-fold. First is to develop a better understanding of the business formalization process, including business registration, trade name registration and licensing, and determine any obstacles and constraints posed to small and microentrepreneurs by this process. The second is to develop a microentrepreneur roadmap that will outline the formalization process, and provide small and microentrepreneurs with a tool that can be used to determine the costs and benefits involved in entering Jordan's formal sector.

Phase I of the consultancy gathered information about business formalization from those who are charged with conducting the process, i.e. registration and licensing officials. Information on laws, requirements, timing and cost was collected. (See Microentrepreneur Roadmap Consultancy report – Phase I) Phase II attempts to validate the findings of Phase I through a series of focus groups composed of small and microentrepreneurs who had recently registered and licensed a business.

Specific tasks for Phase II included:

1. Determine format and prepare script for focus group discussions.
2. Pilot test on focus group session and adjust format based on results.
3. Conduct six focus groups composed of microentrepreneurs from a broad array of sectors, including both men and women, who have recently completed the registration and licensing process.
4. Gather information to test assumptions about the scope and extent of the informal sector in Jordan during focus groups discussions and through interviews.
5. Collect more detailed information to complete the Microentrepreneur roadmap, and complete a first draft to be reviewed.

(See Annex A for the detailed scope of work for this assignment.)

Prior to departure, the consultant reviewed the information gathered during the first phase of the microentrepreneur roadmap that detailed the business registration and licensing process as articulated by the Ministry of Industry and Trade (registration) and the Municipalities (licensing). Based on this information, and guided by comments on the process provided by a select number of micro and small entrepreneurs, areas where potential constraints and bottlenecks may exist were identified. In order to validate the information that had been gathered and to develop an understanding of the registration and licensing process from the perspective of the microentrepreneurs, six questions were developed that formed the basis of the focus groups discussions. The six questions correspond to six aspects of entering and participating in the formal business sector. These issues detailed in the sections to follow are:

- The registration process;
- The licensing process;
- Chamber and association membership;
- License renewal;
- The perceived advantages or disadvantages to entering the formal sector; and
- Sales and income tax issues.

(The focus groups script can be found in Annex C.)

Upon arrival in Jordan on Monday, April 15, 2002, Mr. Baird and Ms. Khatib met with Linda Faris-Kawar of The Community Development Group (CDG), to discuss the desired profiles of the participants in the focus groups and the format to be used when conducting them. CDG was contracted to organize and facilitate the focus groups. It was determined that participants should be the proprietors of business with less than 10 employees, be drawn from a broad range of sectors (excluding professional occupations),

include both men and women, and have completed the registration and licensing process within the past two to three years. Geographically the groups covered all corners of Jordan and included both urban and rural locations. Participants were selected from AMIR Program project assisted Microfinance organizations, business associations and through directory services.

During the next several days, visits were made to the Jordan Investment Board's one-stop investment section, the Municipality of Ruseifeh, the Irbid Chamber of Industry and the Irbid Municipality. The purpose of these visits was to gather additional information about the business registration and licensing process and the services offered by the Chambers and other organizations assisting entrepreneurs.

Focus groups began at the end of the first week of the consultancy and continued through week three in the following locations:

Ruseifeh	April 18, 2002
Irbid	April 22, 2002
Madaba	April 25, 2002
Amman	April 30, 2002
Salt	May 2, 2002
Kerak	May 4, 2002

Each focus group was conducted with between ten and fifteen participants and lasted approximately 90 minutes. Annex D contains the report on these focus groups prepared by CDG.

In addition, Mr. Baird and Ms. Khatib conducted a series of interviews in the Aqaba Special Economic Zone (ASEZ). The purpose of these interviews was to identify the process used in the zone to conduct business registration and licensing and to understand the impact of the recent procedural changes from the perspective of the micro and small entrepreneur. Interviews were conducted with several officials and Commissioners from the Aqaba Special Economic Zone Authority (ASEZA) and with six entrepreneurs operating in the zone.

Upon return to Washington, the first draft of the microentrepreneur roadmap was produced and this report was written.

III. Findings

Focus group participants spoke openly and freely about their experiences in licensing and registering their businesses and highlighted a number of issues, frustrations and problems that they encountered completing the process. The sections that follow detail the most important of these issues. Many of the findings were not surprising. In general, participants were frustrated by the length and inconvenience of the process, and were typically unable to distinguish between various steps, such as registration and licensing. It was viewed as one process with little understanding of the reasons behind each step.

Most of the complaints arose from the licensing process conducted by the municipalities. Surprisingly, cost or fees were rarely mentioned as one of the primary complaints.

The following sections are organized to correspond with the format of the focus groups script. Reports for the individual focus group sessions can be found as a part of CDG's final report in Annex D.

3.1 Registration – Sole proprietorship, company and trade name

Based on the findings of the first phase of the roadmap consultancy, it was assumed that sole proprietorship and particularly company registration would not be seen as a difficult obstacle. This is primarily due to the streamlining that resulted from the AMIR I e-government initiatives. Registration forms have been shortened to two pages and require only that information necessary to the registration process. In accordance with generally accepted best practices, the information is not verified before the registration is granted. The consultants' observations indicated that in most cases business registration occurred within approximately thirty minutes or less.

According to feedback from the participants in the focus group sessions, this assumption was validated to the extent that registration could be seen as an isolated step in the process of establishing a formal business. That is, the process of completing an application, submitting it at the Ministry of Trade and Industry and paying the registration fees. Assuming that all pre-approvals had been completed, or that none were necessary, most participants reported that registration was completed in a "relatively short" or "very short" amount of time. Registration of sole proprietorships however, conducted by a separate office from company registration, was seen as being somewhat more confusing and less transparent than company registration and seemed to take a longer period of time.

Depending upon the business sector, pre-approvals from the Civil Defense Directorate and Ministries of Interior, Industry, Education or Social Development may be required. Where pre-approvals were necessary, registration was seen as a difficult, long and often confusing process. Pre-approvals from the Ministry of Health were most often cited as being the most difficult and time-consuming to obtain – frequently requiring the applicant to make multiple trips to the Ministry in order to obtain the required signatures. Focus groups participants reported that pre-approvals could typically delay the process from three to as many as twelve weeks.

Trade name registration was regarded by most as an easy step in the process. There were several notable exceptions to this however. Several of the participants noted that they had great trouble registering the name of their enterprise with the authorizing official. In one instance, a particular trade name was refused on the grounds that it was not an Arabic name. In another, the name was that of person and therefore refused. In neither of these cases should the name have been refused. This illustrates the many inconsistencies that are encountered in the process. Another common complaint was that the applicant had to

travel to Amman to register their trade name and could not do it locally. This requirement seemed to vary from region to region.

Fees - While several of the participants cited paying fees for registration as a disadvantage to the registration process, very few complained about the fees themselves. In other words, this was not viewed as a significant disincentive to register. (It must be noted however, that the respondents were all capable of paying and most had paid the registration fees. A sampling of businesses operating in the informal sector might elicit a different response).

3.2 Licensing

General – Observations of the licensing process conducted during Phase I of the consultancy indicated that this would be identified as one of the most difficult tasks in the business formalization process. And, without question, the licensing process administered by the municipality was seen by almost all of the focus group participants as the most difficult, time consuming, and confusing step towards establishing a formal enterprise. One participant described it as the “great war.” Reasons for this were many, but consistently included complaints about the length of time needed to obtain the license, lack of clear guidance and transparent procedures, and the number of people involved in various aspects of the process. If there was agreement about anything amongst the participants in describing their experiences, it was that no two people followed the same course to obtain their license. In addition, most acknowledged the important role that “wasta” or personal connections played in speeding up, or in some cases circumventing steps in the licensing process. Several members of the groups had determined that the licensing process was too difficult to complete and thus were abandoning their efforts to do so. Specifically the following issues were raised.

Absence of clear guidance – Participants in the focus groups often expressed their surprise in learning (as they conducted the process) the multitude of steps that must be completed in order to license their business. Few municipalities provide any guidance as to how to complete the process and leave it up to the individual to navigate the bureaucratic labyrinth. This lack of understanding of the process extends beyond those seeking a license however, and often includes municipal officials themselves. Those officials not completely familiar with the required steps and procedures typically provide incomplete and sometimes misleading information sometimes causing unnecessary delays. Much of this confusion can be attributed to the numerous variations and exceptions found in the laws dictating the requirements to complete the licensing process. Each business sector has its own set of requirements and pre-approvals that must be attained in order to obtain a license. This has created a system that is generally too complicated to easily summarize or outline in a form that could be useful as guidance to micro and small entrepreneurs.

Excessive time to obtain a license – Similar to the registration process, inspections and pre-approvals from Ministries were cited as the most significant cause for delay. Participants reported a wide range of responses however when asked about the length of

time it took them to complete the process, reporting anywhere from two days (retail store in Ruseifeh) to five months (hairstylist in Salt). More than half reported that the process took at least two weeks or that it was “relatively long”. Of those, 54% claimed that it took them more than one month to complete. This is in sharp contrast to claims by most licensing officials that the process should be completed within one week.

One of the biggest factors contributing to the disparity in the time it took participants to complete the licensing process, was the application of “wasta” or the use of personal connections. Focus group participants almost uniformly agreed that without the use of their personal connections in the municipality or the Ministry from which a pre-approval was sought, the time it would take them to obtain the needed signatures would be significantly greater. This theme was echoed time and again throughout the group discussions. In one location the focus group participants agreed that with the use of “wasta” licensing was so easy that they would not favor changes to the system for fear that it would become more complicated! After hearing many of the other participants describe their experiences, a woman expressed doubt that she would continue to seek a license as she was unsure if she had the proper “wasta” to obtain it. In most cases “wasta” was used to speed the process, rather than avoiding or short-circuiting it. In several groups however, it was clear that “wasta” was applied to circumvent some of the more onerous requirements.

Pre-approval delays

Jamil and his brother decided to open a water purification and bottling plant. All the equipment was purchased and in place in order to conduct the licensing and inspection process. Approvals from four Ministries were required, as well as water and electricity permits. Four separate water tests were conducted and the approvals took more than three months to complete. Meanwhile Jamil and his brother were unable to operate their plant and suffered significant lost revenues.

One-stop shop – In nearly all the groups, the concept of a one-stop shop for business registration and licensing was raised by the participants. Most felt that the registration and the licensing should happen at the same time, and at one location. Participants seemed to be frustrated more by the fact that they were forced to shuttle from office to office, waiting in each one to see the appropriate official, than they were by the total length of time involved to complete the process. The one-stop shop it was argued, would allow them to deposit their applications and return at a specified time to retrieve it, thus allowing them to continue with their day to day activities. There was particular frustration for those outside of Amman who had to travel to the capital in order to complete certain requirements such as trade name registration.

Cost – Cost was not seen as a major obstacle, however significant frustration was created by fees charged for services that were never provided as a part of the licensing process. For example, itemized costs include waste removal, garbage bags, and security. Most reported that these services were never given. Several focus groups concluded that a single licensing fee, without the itemization would be preferable to the current practice of breaking out the costs for services never rendered.

Unreasonable or conflicting requirements – Many participants reported that they had encountered various requirements that were either conflicting, or seemed to be

unreasonable for the sector in which they were working. One example cited by an entrepreneur was the requirement the he erect several lamp posts along a sidewalk. Several years after doing so, the municipality has never run power to the posts. Others cited similar occurrences and frustrations. Several used the example of trying to establish a water or electrical hook-up for their business. Often they were told that in order to obtain a license they needed to show proof of an electrical hook-up. When they went to establish an account with the electric company, they were told that they would need a license to open the account. “Wasta” was again cited as the means for overcoming this contradiction. Several claimed that they had had a similar experience with the water department.

Several focus group participants mentioned that they were asked to pay the delinquent real estate taxes for the building in which they were leasing, or planning to lease, for their business. Another reported that she was refused a license because one of the occupants in the building had an on-going violation. There was a general feeling that one is often penalized for violations or circumstances that were not of their own creation. This contributed to the sense of distrust felt by the small and micro entrepreneurs toward the licensing officials.

Many felt that some of the pre-approvals were not relevant or appropriate for their particular business. Health related pre-approvals were most often cited by the participants as not being relevant for their sector. Examples of those who felt that unnecessary approvals were being asked of them include a gypsum tradesman, an electrician and a retail store. In many cases there may actually be a legitimate reason, such as environmental concerns, worker safety, etc., that is not clearly articulated.

Finally, there was a general distrust of the licensing process and the officials responsible for it. Many participants indicated that the mood of the official, the gender or even the dress of the applicant impacts the ease with which one can complete the licensing process. Whether this is a real or a perceived phenomenon, individuals clearly modified their behavior based on its belief, indicating a poor level of communication between the municipality officials and the business community.

3.3 Chamber and Professional Association membership

There was unanimous agreement that the Chamber of Trade and Industry, and the Chamber of Commerce provide few to no services to the small and microenterprise sector, and that most, if not all of the entrepreneurs, if given the choice would not become members. This validated the findings during the first phase, and echoed what was stated even by officials in the Chambers themselves.

Specifically, entrepreneurs acknowledged that if they were involved in the import or export sectors, that the Chambers provided letters of introduction to foreign embassies, or certificates of origin to exporters. The vast majority of small and microenterprises are not in these sectors however, and derive no visible benefit from their membership. Further, there is a sense that these organizations survive because of the annual

membership dues paid by small and microenterprises, yet these enterprises are not included in any decision making roles. There are currently two types of membership for the Chambers. One is a full membership with a dues scale tied to the size of the enterprise. The other is an inactive membership which is available for a minimal fee of seven JD. It is unclear whether this option is understood by most entrepreneurs. Regardless of the type of membership, small and micro entrepreneurs, who comprise the majority (approximately 75-80%) of the membership, have no seat on the board, and little power to affect change in the organization.

Finally, participants were unsure of the legal status of the Chambers and were not clear whether they were state-run organizations or private entities. Most felt that they were a cross between the two, but were viewed primarily as government institutions. Several participants stated that the Chambers were nothing more than “collection (of dues) agencies”. Most participants were unclear as to the role of the Chamber and what services should be expected of them. Most saw their dues to the Chamber as just another fee in the licensing process.

Professional associations seem to enjoy a better reputation in general. One woman however, did express frustration with the hairdressers’ association. She contended that the examination process to be admitted into the association was designed so that participants would fail, forcing them to take the exam again and pay the exam fee multiple times. The result would be more revenues for the association. (This view has not been corroborated in any way.)

3.4 License Renewal

Based on observations made during the first phase of the roadmap consultancy, it was anticipated that the license renewal process would generate very little discussion and be seen as relatively straight forward and easy to complete. In fact, responses from the focus group participants included a broad range of experiences and have forced a modification in the consultant’s understanding of the renewal process. Many participants indicated that renewal was not terribly difficult or time consuming, and was viewed a minor, if not a costly inconvenience. Others however, reported having a much more difficult time completing the process for a variety of reasons.

At the top of the list of complaints was the need to obtain all of the pre-approvals from the different concerned Ministries that were required for the original license. For those running a business on their own, this poses a much larger obstacle than acquiring the approvals prior to opening their business. Many indicated that they had been forced to close down for several days in order to complete the renewal process. In

Sole ownership dilemma

As the sole proprietor of her pharmacy, Muna is responsible for the daily activities of her business, as well as the annual administrative burden necessary to renew her business operating license. As a pharmacist, she must obtain annual approvals from the Ministry of Health, Pharmacists Association, and Civil Defense. Muna recently renewed her license for the seventh time since beginning operations in 1995. The process took fifteen days, and as she works alone, caused her to close her business during much of that time.

addition, the fees tend to be very close to the original licensing costs and can represent a significant portion of a microentrepreneur's annual income.

Several participants complained that their renewal application had been refused based on violations or fees owed by the building owner. The tenants were “held hostage” and asked to pay a portion, (sometimes as much as 50%) of the building owner's obligations to the municipality. This forced several of the participants to close their businesses for periods of time until the situation was resolved.

As with the licensing process, participants discussed the important role of “wasta” in completing the renewal process as quickly, and with as few difficulties as possible.

3.5 Business Licensing in the Refugee Camps

Refugee camps in Jordan, and particularly in the areas in and around Amman, represent a significant portion of the formal and informal micro and small business sectors.

Registration and licensing in the camps are governed by a separate set of regulations and are not considered to be a part of the municipality. It is outside the scope of this study to detail the steps involved in the business formalization process inside the refugee camps.

3.6 Advantages and Disadvantages to Entering the Formal Sector

Sections 3.5 and 3.6 cast additional light on the fundamental question of how and why small and microenterprises operate in the formal sector and the incentive, or lack thereof to formalize. Upon completion of the first phase of the roadmap consultancy, it was perceived that most small and microentrepreneurs saw little benefit from entering the formal sector, other than avoidance of penalties from non-compliance. While fear of penalties and negative consequences from being non-compliant with the laws did prove to be a major factor, it was clear that participants recognized that they did gain certain competitive advantages from operating in the formal sector. Indeed, given the option to operate less formally, most responded that they would prefer to remain in the formal sector.

When asked to discuss the advantages and disadvantages of operating in the formal sector, responses across the six focus groups were fairly consistent. One of the first things mentioned in all the groups was the avoidance of violations. By registering and licensing they could operate “out in the open” without the constant risk of being forced to close down or pay penalties to the municipality. Many who operated previously in the informal sector recognized the benefits to being able to freely advertise and locate in a place that would increase their visibility to clients.

Others mentioned the benefits of being recognized as a legitimate business. One participant posited that, “people are more confident interacting with businesses located in a store front, than in someone's home in the neighborhood.” It was generally conceded that operating from a store front, or formal place of business was advantageous enough to go through the registration and licensing process. It should be noted that participants in

the focus groups had all done so, and therefore are not necessarily representative of those whom, for whatever reason, have chosen not to enter the formal business sector.

Despite this, almost all the participants had carefully weighed the costs involved in formalizing. It was acknowledged that many businesses continue to operate in the informal sector to avoid costs such as licensing and registration fees, the rent for a store front and most importantly, to avoid tax and social security liabilities. For many small businesses these costs are too much to bear in relation to their income.

3.7 Sales and Income Tax Issues

Few topics touched off such animated discussions among the focus group participants as the issue of taxes and tax assessment. Almost universally seen as a confusing, arbitrary and unfair process, nearly all had stories to tell about their experiences with the tax collectors. In addition to the sense of distrust expressed for the tax department, most believed that luck and a healthy dose of “wasta” were the best way to ensure a favorable assessment.

Procedures for filing taxes were unclear to most and several claimed that they had been in business for several years and not paid their taxes at all. One individual claimed that until now he was unaware that he had to pay any taxes! No written procedures seem to exist that explain the assessment process.

Importance of “wasta”

Almost all of the participants agreed that tax assessments were negotiable through the use of “wasta.” In several cases there was some concern expressed that reforming the process would lessen the impact of “wasta” and make negotiation more difficult if not impossible. One entrepreneur revealed that he had negotiated his most recent tax assessment from 720JD to 150JD!

Participants complained that there was no standard practice used to calculate their annual tax liabilities. This lack of transparency left the impression that assessments are largely arbitrary and established at the sole discretion of the tax assessor. In each group many of the same views were expressed on what factors most influenced the assessment. These included:

- Luck;
- the mood of the assessor; and
- gender

The most commonly described method used to assess tax liability was for the tax assessor to observe the sales or volume of customers for a period of time, (up to a day) and extrapolate from this observation to arrive at an annual estimation of income. Participants pointed out that this estimate could be very high if it were conducted on a particularly busy day, and did not take into account seasonal fluctuations in sales. (Of course the converse is true as well, if it happened to be a particularly slow day.)

Account books are often considered when calculating tax assessments, however it is generally acknowledged that many businesses keep two sets of books. Assessors are

aware of this practice and therefore only place a small amount of confidence in those figures often inflating them based on observations of sales, or previous year's figures. Self assessment forms used in some municipalities are generally thought to be disregarded. Several participants claimed that assessors would pose as customers and observe the business without the knowledge of the proprietor.

Final tax assessments were almost always agreed upon through a combination of negotiation and "wasta." In some cases this occurred "on the spot" when the assessment was being conducted. In others it happened after the fact, with the business owner appealing the decision and negotiating with tax officials. The lack of transparency throughout the entire process has created an environment where little trust exists between the business owner and the tax assessor. One participant jokingly claimed that when he sees the tax assessor coming, he runs away.

3.8 Other

Several other questions were asked of the participants that were not directly related to the roadmap exercise, but were aimed at providing background information for future microenterprise component activities. These questions and their responses may prove useful as the AMIR II program begins to assess the market for business development services.

Specifically, participants were asked if they would be willing to pay a fee to a service provider who would assist them with the registration and licensing process. With the notable exception of one group where the use of "wasta" seemed to facilitate the process for most entrepreneurs, almost all indicated that they would be willing to pay for this type of assistance. Amounts that participants were willing to pay for assistance varied from 5 JD to 100JD, but most indicated that they would be willing to consider paying a fair amount for the time and labor involved.

Despite a willingness to pay, most felt that it should be the responsibility of the licensing and registration officials to provide sufficient guidance to the applicants. It was also made clear that this option should not be seen as an alternative to reforming and streamlining the formalization process.

IV. Conclusions

The process one must undertake to establish a formal enterprise – business registration, trade name registration and licensing – is clearly considered an obstacle to the formation of new enterprises and a hindrance to the development of those already operating. New start-up businesses are particularly affected, as the large financial and administrative burden prevents many from even attempting to establish a business. While no single step in the process bears all of the responsibility for this, clearly some are more in need of reform than others. Participants in all of the focus groups returned to several themes time and again as they discussed their perceptions of the process. The three themes that were

repeated the most often were: lack of guidance or transparency; the inconsistent application of the regulations and procedures; and the importance of “wasta”.

4.1 General Observations

Lack of guidance and transparency – Participants in each of the six focus groups expressed great frustration at the inability of most officials to accurately describe the procedures necessary to complete the formalization process. Many acknowledged their surprise as they discovered all of the many steps and pre-approvals required to obtain a license to operate from the municipality. Other participants were unaware of the fees associated with the various steps and only learned of these as they moved through the licensing process. This lack of transparency and the inability to make an informed business decision can have an enormous negative impact on a small or microenterprises’ willingness to enter the formal sector. This is particularly true for those involved in new or innovative sectors where there are few or no models to follow.

Inconsistent application of regulations and procedures – One of the most telling indications of the lack of consistency applied to the formalization process, was the fact that across six focus groups and sixty-two participants, no two told the same story as to how they completed the process. Variations ranged from the time needed to complete the process (from days to nearly a year) and the number of pre-approvals required (even within the same sector), to the cost of the license. This inconsistent application process contributes to a perception that officials are at best acting in arbitrary manner due to a lack of knowledge or at worst, are behaving in a self-serving manner. Regardless of the reasons, the net effect is to further obscure the predictability of the process and thus the decision-making ability of the micro and small entrepreneur.

Importance of “wasta” – Due to the lack of transparency and guidance – particularly with regard to licensing – wasta is seen as the most important and effective way to quickly complete the process. Typically, “wasta” is seen as a means to speed the process, and not to circumvent the regulations. Whether “wasta” is truly needed or not, its absence can be enough to prevent a potential applicant from attempting to complete the licensing or registration process.

4.2 Specific obstacles and barriers

Licensing – For most of the focus group participants the licensing process was by far the most daunting step in the process to establish a formal enterprise. Many of the reasons for this are outlined above including lack of transparency, inconsistent enforcement of the laws and regulations, and little or no guidance from the municipal officials. In addition to these is the sheer investment of time and energy required to complete the application with all of the necessary pre-approvals. It must be kept in mind that particularly for small and micro enterprises, time spent away from their productive endeavors can be crippling to their businesses. The difference between spending one day to obtain a license and two or more weeks can mean the difference between success and failure. In most cases the

responsibility to secure the approvals from each separate Ministry falls on the proprietor, and typically entails multiple trips and significant waiting for each signature or approval.

Registration – Despite the progress made in adopting best practices and streamlining the business registration process, several additional steps need to be taken. First, while company registration has benefited from extensive reform and computerization, the process to register a sole proprietorship remains confusing and cumbersome. Many pre-approvals are often needed which can significantly slow the registration process. Finally, for those living in more remote areas that require travel to Amman to register trade names or complete other parts of the process, this can represent a significant obstacle.

Tax assessment – While somewhat outside the scope of the roadmap exercise, the issue of tax assessment produced a number of discussion points and will be an important topic for future policy discussions. As mentioned in section 3.7, tax assessment is generally seen to be arbitrarily established by the assessor and is often felt to be an unfair representation of the businesses true earnings. This causes uncertainty in terms of the entrepreneur's ability to accurately conduct business forecasting and undoubtedly deters many from attempting to open or expand their business. In fact, it was many clear by the focus group participants that this was one of the primary reasons that many preferred to remain in the informal sector, despite the risks and disadvantages in so doing.

Chamber of Commerce and Chamber of Trade and Industry – There is general agreement that small and micro enterprises see few, if any advantages gained from their membership in the Chambers. Both of these organizations are unresponsive to the needs of these enterprises and provide few if any valuable services to their clients. Few would choose to join the Chambers were it not required.

V. Aqaba Special Economic Zone

5.1 General Observations

The roadmap team spent several days in Aqaba interviewing officials from the Aqaba Special Economic Zone Authority (ASEZA), and several micro entrepreneurs operating within it. Over the past two years, ASEZA has worked to create a customs free zone that will serve to attract both foreign and national investors to the Aqaba area. Led by the USAID-funded Aqaba Technical Assistance Support Project, emphasis has been placed on creating the right combination of infrastructural improvements, service provision and policy reforms to achieve its investment goals.

Much progress has been made to simplify and streamline the registration and licensing process. In essence, two options, or separate tracks were created to establish a legal enterprise in the Zone. The first is a three step process that includes company or sole proprietorship registration with the Ministry of Trade, registration with ASEZA, and licensing through ASEZA. Completion of this track entitles the enterprise to all of the customs free benefits of the zone, as well as a seven percent sales tax and a flat five percent income tax. The second track is similar, but registration with ASEZA is not

required. In this instance, the enterprise is not entitled to the customs free benefits, and is subject to the normal income tax scale applied in the customs zone as mandated by the income tax law. Fees are as follow:

	ASEZ registration	Non-ASEZ registration
Registration	1000 JD	
License (first time)	500 JD (per sector)	125 JD
License renewal	500 JD (per sector)	25 JD
Sales tax (collected every two months)	7%	7%
Income tax (collected on annual basis)	5%	Graduated scale*

(* Income tax is calculated using the same formula used outside the customs-free zone)

Interviews with four microentrepreneurs in three sectors; auto repair, retail and hair dressing, revealed fairly consistent observations about the changes in the ASEZA registration and licensing requirements. All agreed that licensing, (or operational permit as it is known in ASEZA) which now occurred as a one-stop shop, was a marked improvement over the municipality's process. Registration with the Zone was seen to be somewhat expensive (1000 JD) by the smallest of the enterprises, especially those not involved in importing. The small gain in income tax reduction rarely outweighs the cost of the initial registration and licensing. Suggestions by ASEZA that small enterprises in like sectors join to register one importing company are somewhat impractical.

Mixed reviews were given by those interviewed about ASEZA's tax assessment and collection procedures. There seemed to be considerable amount of confusion on the part of the business owners in terms of their obligations, their bookkeeping requirements and when and where to make their tax payments. It was acknowledged by the ASEZA commissioners that communication with the small and micro enterprise community had proven to be difficult, and was one of the primary reasons for creating the position of Advisor to the Board of Commissioners on Community Development. By creating this position, it is believed that more open and clear two-way communication will occur between ASEZA and the local business community.

Despite the limited time that ASEZA has been operating, there are several practices that could have wider applicability outside the zone, and that deserve closer scrutiny. The following section briefly introduces several of these promising practices

5.2 Promising practices

One stop shop – ASEZA has adopted the one-stop shop procedure for company registration and licensing. Representatives from health, public safety, environment, and security are all present at the single registration and licensing counter. Applications are submitted and decisions to approve or deny registration or licensing are determined on the same day, usually within an hour. Licenses or in some cases provisional licenses are issued immediately. The office is open five days a week, during normal business hours.

Compliance vs. pre-approvals – In order to successfully implement the one-stop shop procedure, the concept of regulatory compliance vs. pre-approvals must be embraced. As pre-approvals are generally contingent upon site visits and verification of compliance before licenses or registrations are given, they are often responsible for long delays. Compliance shifts the burden to the business owner to implement certain safety requirements, or abide by certain regulations with clear penalties for non-compliance. Licenses are granted with clearly stated guidelines and regulations that must be followed by the business owner. Periodic, and generally random, verification takes place after the business has begun to operate. Exceptions to this occur when public safety, often food production or service, are involved, and pre-approvals may be deemed necessary.

Single registration fee – ASEZA has instituted a single fee for registration and for licensing. This has removed any ambiguity for the business owner in terms of how much they may be charged. Renewal fees are handled in the same manner. Whether or not one fixed fee for all business regardless of size or capital is appropriate may be a question that bears further exploration.

Voluntary Chamber Membership – Business registering and renewal their licenses with ASEZA will not be required to become a member of the Chamber of Commerce or Chamber of Industry and Trade beginning in 2003. The Chambers were granted a one year “grace period” in 2002, during which time business would still be required to join in order to license. During this period, the Chambers have been encouraged to develop services that will attract voluntary membership, particularly among the micro and small businesses.

VI. Recommendations

The following recommendations are aimed at addressing three of the main constraints identified by the participants in the focus groups. These constraints are:

- Lack of transparency and guidance;
- Excessive time spent by applicant to secure pre-approvals; and
- Unreasonable, redundant or conflicting requirements.

The recommendations range from administrative and procedural changes, to policy reform. Included is a recommendation for conducting a pilot project with a selected municipality that would incorporate many of these recommendations.

Develop clear guidance for license applicants and municipal licensing officials – Few municipalities have developed any guidance to assist applicants or the licensing officials through the licensing process. This is in no small part due to the complexity of the process with its multiple iterations. With five or more offices and Ministries often involved, and dozens of license categories, it is extremely difficult to effectively summarize the licensing process. As a first step toward increasing transparency, it is therefore recommended that basic guidelines be set that identify the required steps in the

process. Cost information should be summarized and the typical timeframe to complete the process should be accurately indicated. In addition, licensing officials must have a more complete guide to the process that contains in much greater detail the necessary steps and costs of licensing for each category.

Simplify licensing requirements – As noted in the recommendation above, due to the establishment of dozens of different categories of licenses, there exists great difficulty in easily communicating licensing requirements and procedures to both the applicant and the administering officials. This has created the perception that the process is prone to exceptions, and the subjectivity of the licensing officials. This in turn has led to the reliance on “wasta” to complete the process. It is recommended that licensing requirements be reviewed, particularly for small and micro enterprises, and that simplification of the process be sought. Consolidating the number of licensing categories would be an ideal starting point.

Compliance vs. pre-approval – The pre-approval process is consistently cited by license applicants as the most time-consuming and burdensome aspect of the licensing process. Pre-approvals typically require one or more site visits, the coordination of schedules of inspectors with applicants and may take one week to a month or more to complete. A compliance-based system places more of the burden on the applicant to meet specific public safety, health or other requirements, but does not hold the entrepreneur hostage to the inspection process. At the time of application, specific guidance is issued to each applicant in terms of codes, requirements and standards that must be met. (For example, the number of exits for each 100 sq. meters of retail space.) Licenses are granted based on the understanding that the applicant will be in compliance upon the opening of business. Inspections are then conducted and sanctions are levied if the requirements or standards have not been met. Sanctions typically range from fines to closure, depending upon the severity of the infraction or violation. Businesses are in a much better position to plan if they are not dependent upon the schedule or availability of the approving official in order to open their business. It is recommended that licensing be conducted using a compliance vs. a pre-approval based system. (See above for a description of how this has been implemented in Jordan by ASEZA.)

One-stop shop – As mentioned earlier in this report, the concept of a one-stop shop for licensing was discussed during many of the focus groups. It is currently being utilized in the Aqaba Special Economic Zone. This “best practice” has a number of advantages both in terms of cost and time savings for both the municipality and the license applicant. There are a number of different scenarios that can be used when establishing a one-stop shop for licensing. Two examples are briefly outlined below. Both of these examples presume that a compliance-based system is being used.

1. In the first example, the licensing process is a one-stop shop only from the perspective of the applicant. Applications are deposited and reviewed for completeness and any potential problems. The licensing office is then responsible for obtaining the necessary signatures from other agencies and Ministries. The applicant is given a date one to two weeks in the future when the licensing should

- be complete. The cost for those responsible for obtaining the required signatures, a “runner” can be incorporated through a modest charge into the license fee itself. This system may be most effective where there is a small to medium volume of applications, and where employing a representative for each potentially concerned agency or Ministry would be cost prohibitive.
2. In the second example, representatives from each concerned agency or Ministry are physically present at the licensing office. Typically the application is dropped off and the applicant instructed to return later the same day or the following day. In other cases, the applicant moves from official to official within the office obtaining the necessary signatures. This system is most effective where there is a high volume of applications, and the dedication of a person from each ministry or agency is cost effective. (Many variations of this system exist. For example the license office may be open only two days a week, thereby significantly reducing the time needed for officials to dedicate to the licensing process.) It may be possible for several district licensing offices in Amman to share approving officials from Ministries on a rotating basis.

Again, it is worth repeating that in order for the one-stop shop concept to be effective, a compliance-based approach to approvals must be adopted. The Jordan Investment Board (JIB) has attempted to institute this system, but has been largely unsuccessful due to the burden of securing pre-approvals for its investment clients. Less than 20% of its clients receive their registration and license within one week – the stated goal for the one-stop service of the JIB.

Finally, as e-government possibilities increase, there will be many opportunities to further streamline and revise the licensing process.

Chamber of Commerce and Chamber of Trade and Industry membership – The microentrepreneur roadmap team strongly recommends that membership in the Chambers be voluntary, and not a requirement for licensing. Voluntary membership would force these organizations to create demand by developing services which directly respond to the needs of the small and microenterprise community. Among the most highly demanded services are linkages to domestic and foreign markets, product development assistance and quality control. While it may not be appropriate for the Chambers to actually provide all of these services, they should be capable of directing small and micro entrepreneurs to local private sector providers. Advocacy is another important service and is currently being provided by most Chambers. These services need to be more widely publicized and policy discussion and decisions should be more inclusive of enterprises from the smaller side of the business spectrum. In order to lessen the financial impact, the membership requirement could be phased out over a one to two year period.

AZESA study tour - Conduct further investigation into ASEZA licensing and registration procedures – Initial investigation appears to point to a number of promising practices identified and instituted by ASEZA to expedite the business registration and licensing procedures. As many of these have recently been adopted, some time will need to pass to

accurately assess their impact and the potential for replication outside the Zone. As a part of the observation process, a “study, or observation tour” with selected municipal officials should be conducted in order to introduce them to many of the concepts and practices noted in section V. The ability to refer to and observe the use of such practices within Jordan should be leveraged to the greatest extent possible.

Streamline sole proprietorship registration – As accomplished with the company registration process, sole proprietorship registration should be streamlined, and best practices should be adopted as quickly as possible. Most of the current procedures mirror those found in the company registration process, therefore streamlining should be quite simple to incorporate. As an alternative, the responsibilities for registration of sole proprietorships could be subsumed by the office now conducting company registration.

Trade name registration – Should become an on-line based service as soon as possible. Furthermore, this service should be offered by business registration offices in areas outside of Amman in order to reduce the number of businesses owners who must register their trade names by traveling to Amman.

VII. Next steps

Develop online version of microentrepreneur roadmap – Using the Microentrepreneur Roadmap Outline as a guide, a local firm should be contracted to develop a more detailed online version of the roadmap, targeted to small and microentrepreneurs and business service providers. This online roadmap will provide a tool for determining the requirements for registration, trade name registration and licensing for businesses in most sectors. At a minimum, information should include application and pre-approval requirements, estimated costs, estimated time for completing each step, and location of relevant offices. The online tool should include an interface that allows the user to develop a “personal roadmap” by responding to a series of questions through the use of pull-down menus.

Coordinate policy discussions with AMIR Program’s Policy Component – As policy discussions concerning the Investors’ Roadmap (as opposed to the Microentrepreneur Roadmap) are scheduled, it would be useful to point out the common or related concerns facing small and microentrepreneurs which could be addressed at the same time. Small and micro enterprise concerns rarely draw the level of attention that large and foreign investment concerns are able raise. However in terms of employment potential, the small and micro sector is significantly more important. “Piggybacking” on these policy discussion may be an effective way to get the ear of those officials who can positively impact the small and micro policy environment.

Pilot municipality (district) in Amman - The AMIR Program team should identify an administrative district within or near Amman where a number of the above-mentioned recommendations may be piloted, focusing on the development of a one-stop shop. This initiative is expected to last for approximately eighteen months to two years, and will require a full-time local staff person for at least the first year. The goals of the pilot

licensing office will include: developing clear written guidance for applicants and licensing officials; instituting a compliance based system vs. pre-approvals for health civil defense, fire safety, and other requirements; charging a single licensing fee (may be a scale depending upon sector or size of enterprise); and opening a one stop window for all licensing activities.

ANNEX A Scope of Work

Scope of Work: Specific Tasks of the Consultant

Activity Name: 332.2 Entrepreneur Roadmap
 SOW Title: Entrepreneur Roadmap
 Modification No.: Original
 SOW Date: Wednesday, March 20, 2002
 SOW Status: Draft
 Total LOE: 21 days
 Task and Consultant Name:
 LOE/F/ Validation
 AB Andrew Baird

I. Specific Challenges Addressed by this Consultancy

The government of Jordan has embarked upon a bold economic transformation program aimed at improving the standard of living and quality of life for all Jordanians. There are many facets of the program and a key to its success will be the ability to encourage the establishment and enhancement of micro/small/medium enterprises (MSMEs).

Microbusiness is not a new phenomenon, since its antecedents of loans to small village and cottage industries trace back several millennia. What today is defined as microbusiness most likely was founded in the ancient kingdoms in the region known as “The Golden Crescent”, between the Tigris and Euphrates Rivers.

Within the boundaries of the Kingdom of Jordan, however, the idea of microbusiness and microentrepreneurs may not be as well imbedded into the local culture as it was in the surrounding countries. Until relatively recently, the majority of the Jordanian population were primarily herders and farmers rather than town dwellers and traders, so that the microbusinesses that existed would have been rurally oriented. But, during the last 50 years the demographics of Jordan have changed dramatically, with approximately 78% of the population now living in the four largest governorates. Despite this demographic change, the rise of microentrepreneurship in Jordan has been slowed by the creation of a large public sector that has been established during this period, which was used as both a social and public service mechanism. Currently, the combined public sector and the government comprise more than 35% of the employed labor force. Consequently, there is a tendency for school leavers, and the unemployed, to look to the public sector first for employment opportunities, rather than to becoming self-employed entrepreneurs. As a consequence, many microentrepreneurs view self-employment as a stopgap measure, to be abandoned as soon as a public sector job is obtained.

The provision of loan capital to microbusinesses through a formal structure originated in the Public Sector. The Agricultural Credit Corporation (ACC) was founded in 1959 for the express purpose of making loans for the development of the agricultural sector in Jordan, including small loans. The first formal microlending program, however, was

established by the Industrial Development Bank (IDB) in 1965. These microbusiness loan providers were soon followed by other public and foundation lenders, such as the General Union of Voluntary Societies (GUVS) in 1986, and the Development and Employment Fund (DEF) in 1992. Since this time several foundations also have involved themselves in microfinance, the names of which are included in Appendix I. Most of these organizations have social goals and roles, and view microfinance as a tool for achieving those goals, rather than focusing on providing microfinance on an operationally sustainable basis.

The concept of sustainable microfinance was introduced into Jordan by Save the Children (SC) in 1994, when they commenced the Group Guaranteed Lending and Savings Program (GGL) in the Mahatta and Natheef refugee camps. Encouraged by this success, they established a separate legal entity (the Jordanian Women's Development Society) in 1996, which commenced operations in 1997 and became Microfund for Woman in 1999. Subsequently, three other microfinance institutions (MFIs) were established, Jordan Micro Credit Company (JMCC), Ahli Microfinancing Company (AMC), and Jordan Access to Credit Project (JACP) via Cooperative Housing Foundation (CHF).

The AMIR (Access to Microfinance and Improved Implementation of Policy Reform) Program commenced operations in February, 1998. One of its key goals is the establishment of a sustainable microfinance industry in Jordan by the time the program closes in January 2002. Since inception, the AMIR Program has helped establish and support three MFIs, and together with the U.S. Agency for International Development (USAID), is working with a fourth MFI. There are considerable differences between these four MFIs, and the other microfinance providers, of which the most important are the commitment to attaining operational sustainability, and to operate in accordance with the "best practices" of microfinance.

In 2002, the second phase of the AMIR Program, (Achievement of Market-Friendly Initiatives and Results) was launched. The goal of AMIR 2.0 is "To promote economic growth and prosperity for all Jordanians by developing a more market-friendly environment for broad-based economic opportunity and business expansion." This four component initiative has devoted one component to the development of microentrepreneurs in Jordan with specific focus on commercially viable financing and non-financial service opportunities available for microentrepreneurs.

From the outset USAID/AMIR Program understood that a viable microfinance industry for Jordan requires more than MFI's alone, so included in the innovations were the following industry infrastructure components; an MFI funding facility to provide bridge financing between the exhaustion of the MIP grants and ability to fund from the commercial market; a microfinance association to act as an industry forum, as well as be a vehicle for advocacy and training; a national credit bureau, which would serve not only the microfinance industry, but the economy as a whole.

The microfinance institutions have, since their inception, gained considerable market experience, and this experience has been used to reposition them in their markets via

revision of their business plans. In addition, the infrastructure components for a viable microcredit industry, referred to above, are well into their formative stages. As a result of operations and experience gained, however, it is becoming clear that focusing on the components of microcredit alone may not be sufficient for the development of a vibrant microfinance industry.

It has been said that in Jordan, there is a lack of entrepreneurial spirit, a limited focus on owning one's own business. Even with the advances in the supply side of microcredit, there is a need to begin to facilitate the growth and stimulation of micro and small entrepreneurs. This includes reviewing the enabling environment, administrative as well as managerial, in which microenterprises operate. As an initial step in this process, a domestic investor roadmap focused specifically on micro and small entrepreneurs is proposed. The roadmap, in its entirety, will identify all aspects of registering and operating a formal enterprise in Jordan with details on the specific constraints, obstacles and barriers that micro and small entrepreneurs confront in the business creation and management process. The roadmap will be offered as web based information. One part of this entire package will be an initial assessment of what is required of an entrepreneur when that person seeks to establish a new business.

II. Objective

The objective of this consultancy is two fold: 1) To test the validity of the microentrepreneur roadmap outline developed in Phase I of the roadmap consultancy. Focus groups will be used to document the experiences of microentrepreneurs who have entered the formal sector and determine any significant discrepancies in the process as it is outlined. 2) Draft microentrepreneur roadmap.

III. Specific Tasks of this Consultancy

- Prior to departure, the consultant will prepare questions and determine format for focus group discussions.
- Train local consultant on how to conduct the focus groups.
- Pilot tests one focus group session and adjust format based on results.
- Conduct four focus groups composed of private sector actors including: current and potential microentrepreneurs, microfinance loan officers, BDS providers, NGO's working in the business sector, and relevant government and municipal officials. Groups will maintain a majority of microentrepreneurs.
- Gather information to test assumptions about the scope and extent of the informal sector in Jordan, during focus group discussions and through interviews with other organizations working with actors in the informal sector.
- Collect more detailed information to complete the roadmap, particularly with regard to the licensing process.

- Complete first draft of roadmap to be reviewed, including cost, time and procedures associated with the business formalization process.

- Draft the SOW identifying the tasks to be accomplished in Phase III of the roadmap consultancy.

IV. Timeframe for the Consultancy

Phase II

April 13 – May 2, 2002

V. LOE for the consultancy

Phase II

21 LOE (11 days field, 2 days travel, 2 day prep, 6 days draft report/recommendation)

VI. Consultant Qualifications

The consultant shall have the following minimum requirements:

ANDREW BAIRD

Phase II

1. Educational Qualifications

- Masters with a focus on international development or commensurate work experience.

2. Work Experience Qualifications

- 10 years experience in SME development projects
- Extensive development work with the stimulation of entrepreneurs
- Past experience is operational systems design a plus
- Masters with a focus on international development or commensurate work experience

ANNEX B**Persons Interviewed****Amman**

Ahmad Al-Qasieer, Planning Development & Information Services, Jordan Investment Board

Arwa Hamdieh, Program Management Specialist, USAID/Jordan
Sutherland Miller

Aqaba

Vince Ruddy, Chief of Party, Aqaba Technical Assistance Support Project

Jose Ceron, Investment Promotion Advisor, Aqaba Technical Assistance Support Project

Omar Al-Hawamdeh, Investment Officer, Aqaba Special Economic Zone Authority

Tamir Shaaban, Investment Officer, Aqaba Special Economic Zone Authority

Mohammed Al-Jafari, PhD., Administration and Finance Commissioner, Aqaba Special Economic Zone Authority

Saleh Kilani, Investor Services Division Head, Aqaba Special Economic Zone Authority

Ibrahim Abu Hilail, Advisor to Board of Commissioners on Community Development.

Irbid

Maher Al-Nasser, Chairman, Irbid Chamber of Industry

Muyassar Azzam, Irbid Chamber of Industry

Nafez Shatat, Director of Planning and Studies, Irbid Greater Municipality

Ruseifeh

Basaf Sharaf, Manager of the Mayor's Office

Eng. Mohammad Al Mughrabi, Assistant to Mayor for Technical Assistance

ANNEX C**Focus Group Script****Focus Group Script for Microentrepreneur Roadmap**

Focus Group Purpose: to understand from the perspective of the entrepreneur the process involved in registering, licensing and operating a small or microenterprise in Jordan. Also, validate obstacles and constraints encountered by MSEs during the process identified during phase I.

Opening

Welcome. Thank you for joining us for this focus group session, which is being conducted to better understand the process that you undertook in order to register, license, begin operating your enterprise. We appreciate the time that each of you has taken to participate in this discussion today. CDG is a market research firm that has been contracted to help understand the advantages and disadvantages of entering into the formal business sector. We are interested in hearing from each of you your experiences as you established your businesses.

Each of you has been invited today because you have registered and licensed an enterprise in the past several years.

Warm-up questions:

Our hope is that the focus group session will allow us to understand what are working well and where the difficulties and challenges lie in the registration and licensing process. We ask that each of you be as open and honest as possible. You have been asked to represent your own opinions and they do not need to conform to others in the group. Your anonymity will be protected. CDG will summarize the general findings, but without attributing specific comments to individuals.

Icebreaker questions:

We have a series of questions that we would like to ask, which should take about an hour and a half. Let's start by introducing ourselves. Please tell us:

- who you are;
- what your business is; and
- do you employ anyone outside of your family?

Pass on Cards and let each one write this information on the card. (It is much faster and more efficient). Have a sample on the flip chart:

Name:

Date of completion of registration?

Time to complete process (hr)?

Type of registration?

Did you receive and assistance or guidance as you conducted the registration?

No Yes If Yes, who helped you: _____

No. of employees:

On scale from zero to five, rate how easy or complicated you felt the process to register your business was for you. (Zero – very easy, five, very complicated.)

0 1 2 3 4 5

(Ask this question again after the participants complete the form so that the facilitator will get a sense about participant's opinion about the process.)

Date of completion of licensing?

Time to complete process (days)?

Did you receive and assistance or guidance as you conducted the registration?

No Yes If Yes, who helped you: _____

On scale from zero to five, rate how easy or complicated you felt the process to license your business was for you. (Zero – very easy, five, very complicated.)

0 1 2 3 4 5

(Ask this question again after the participants complete the form so that the facilitator will get a sense about participant's opinion about the process.)

Questions

(10 min.)

1. What was the process you undertook to **register** your business? (Ask two individuals to respond.) Responses to the following questions should be elicited:

- What type of business was it? Sole proprietorship, limited liability company, etc.
- How long did the process take?
- Were there any pre-approvals necessary? What?
- How much did it cost?
- What worked well in the process?
- What if anything was difficult about the process?

Did anyone else have a different experience, when registering their business? If so, what were the differences?

(20 min.)

2. What was the process you undertook to **license** your business? (Ask two different people to respond.) Responses to the following questions should be elicited:

- What type of business did you license?
- Were there any permits or approvals that needed to be obtained?
- How long did the process take? Was this more or less time than you expected?
- How much did it cost?
- What worked well in the process?
- What if anything was particularly difficult about the process?
- Did you know what to expect before beginning?

Did anyone else have a different experience, when licensing their business?

(5 min.)

3. How many of you are members of the Chamber of Commerce, Chamber of Industry and Trade, or a professional association?

- What are the benefits you receive as a member?
- If you were not required to join in order to obtain a license, would you join?

(10-15 min.)

4. How many of you have renewed your license? (Ask someone to describe this process.)

- What were the costs?
- How much time did it take?

(15 min.)

5. What are the benefits that you perceive from having a registered and licensed business? What are the disadvantages? If you previously operated in the informal sector (not registered or licensed) do you feel that your business is better off or worse now that you are operating in the formal sector?

We could also ask questions about several of the following issues:

1. Working at home – would you work at home if given the opportunity? Does the fact that one is prohibited from operating most businesses from their home discourage people from formalizing?
2. Scope of the informal sector, for example, “Do you know of people who operate informal business? If so, is it just a few, some, many or most people you know?”
3. Would you be willing to pay for assistance in order to licensing and register a business?

(10 min.)

6. Ask the participants if they clear their tax papers on annual basis. Let two participants talk briefly about the assessment of their taxes and their experience with the tax department.

Did anyone else have a different experience, when doing their tax assessment? If so, what were the differences?

Would like to get at the question of transparency and fairness in the assessment process.

Closing

Thanks so much for sharing your opinions, thoughts and ideas. This information should be very useful in order to determine strategies for reforming the licensing and registration process and encouraging more individuals to operate their own small and microenterprises.

ANNEX D CDG Final Report on Focus Groups